

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 2716 – HB 3397

March 17, 2010

SUMMARY OF AMENDMENT (015486): Adds language to the original bill requiring the Bureau of TennCare to proportionally reduce reimbursement rates for public ICF/MR providers when reducing reimbursement rates to private ICF/MR providers.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures – Exceeds \$342,200

Increase Federal Expenditures – Exceeds \$657,800

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Expenditures – \$4,755,900/FY10-11

Exceeds \$342,200/Recurring

Decrease Federal Expenditures - \$4,755,900/FY10-11

Increase Federal Expenditures – Exceeds \$657,800/Recurring

Assumptions applied to amendment:

- According to the Bureau of TennCare, the difference between the rate methodology for public providers and private providers is that state facilities go through a cost settlement process at the end of the fiscal year.
- Payments for private facilities are considered payment in full. State facility payments are cost settled at the end of the fiscal year and adjusted to cover any short fall.
- According to the Bureau of TennCare, rates for state facilities are greater than for private facilities and creating equal methodologies will result in an increase in expenditures.
- In FY08-09, TennCare expended \$83,400,000 on private facilities and \$171,300,000 on state facilities. While an exact amount cannot be quantified, it is reasonably determined that any increase would exceed \$1,000,000.
- Of the \$1,000,000 in increased expenditures, \$342,200 will be state funds at a rate of 34.22 percent and \$657,800 will be federal funds at a 65.78 percent match rate.
- According to the Bureau of TennCare, rates for private ICF/MR facilities are being reduced by seven percent in FY10-11. TennCare will reduce rates for public ICF/MR facilities by seven percent also.

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- The difference will be made-up with state funds because the Bureau of TennCare will not be able to receive the federal matching funds.
- The FY10-11 budget includes \$103,283,800 for the Clover Bottom and Greene Valley facilities. A seven percent reduction in these rates would result in \$7,229,866 ($\$103,283,800 \times .07$) that will not be paid through TennCare with federal matching funds.
- The estimated federal match rate for FY10-11 is 65.78 percent resulting in \$4,755,806 ($\$7,229,866 \times .6578$) being funded with state funds.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director

/kml